

Message Text

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ACTION EB-07

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CIEP-01 TRSE-00 SS-15 OMB-01 CEA-01 CIAE-00 COME-00

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PASS EXIM, OPIC, TEASURY, COMMERCE

E.O. 11652: N/A

TAGS: EFIN, EINV, CG, US

SUBJECT: CURRENT STATUS OF VARIOUS U.S. BUSINESSES IN ZAIRE

1. SUMMARY: CENTRAL BANK GOVERNOR SAMBWA HAS TOLD VARIOUS U.S. COMPANIES THAT THEY MAY BE ABLE TO TRANSMIT FOREIGN EXCHANGE AT OLD EXCHANGE RATE IF THEY CAN PROVE THAT ZAIRES HAD ACTUALLY BEEN DEPOSITED IN A BANK PRIOR TO DEVALUATION. HE HAS ASSURED VARIOUS U.S. COMPANIES THAT GOZ INTENDS GIVE TOP PRIORITY TO MAKING FOREIGN EXCHANGE AVAILABLE FOR GOOD PREVIOUSLY IMPORTED UNDER GUARANTEED 180-DAY LETTER OF CREDIT. SECON PRIORITY WILL BE FOR GOODS IMPORTED FOR CURRENT OPERATIONS. THIRD PRIORITY WILL BE FOR INTERCOMPANY CREDITS NOT MADE UNDER GUARANTEED 180-DAY LETTER OF CREDIT. SITUATION OF INDIVIDUAL U.S. COMAPNIES IN ZAIRE DIFFERS WIDELY. END SUMMARY.

2. AT EMBASSY'S URGINN GOVERNOR SAMBWA HAD INDIVIDUAL MEETINGS WITH REPS OF GENERAL MOTORS, IBM, ESB, AND GOODYEAR TO DISCUSS THEIR PROBLEMBS AND HAS PROMISED TO DO LIKEWISE WITH PAN AM. HE ASSURED U.S. REPS THAT GOZ WILL ACCORD LIMITED OFFICIAL USE

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FIRST PRIORITY TO MAKING FUNDS AVILABLE FOR FOREIGN

EXCHANGE UNDER GUARANTEED 180-DAY LETTERS OF CREDIT. SECOND FOREIGN EXCHANGE PRIORITY WILL BE FOR GOODS TO BE IMPORTED FOR FUTURE OPERATIONS. THEIRD FOREIGN EXCHANGE PRIORITY WILL BE FOR CREDITS RELATING TO PAST OPERATIONS NOT COVERED BY GUARANTEED LETTER OF CREDIT. HE INSTRUCTED U.S. REPS TO WORK OUT INDIVIDUAL PAYMENT SCHEDULES WITH THE CENTRAL BANK SECTION CHIEF IN CHARGE OF FOREIGN EXCHANGE.

2. GOVERNOR SAMBWA ASSURED U.S. REPS THAT THEY WILL BE PERMITTED TO MAKE FOREIGN EXCHANGE TRANSACTIONS AT PREVIOUS EXCHANGE RATE AS LONG AS ZAIRES HAD BEEN DEPOSITED AGAINST LETTERS OF CREDIT. HE ALSO SAID THAT GOZ WOULD CONSIDER USE OF PREVIOUS EXCHANGE RATE IN OTHER INSTANCES IF COMPANY CAN PROVE THAT IT HAD ACTUALLY DEPOSITED ZAIRES IN AN ACCOUNT PRIOR TO MARCH 12. HE STATED THAT EACH TRANSACTION WILL BE CONSIDERED ON ITS MERITS AND INDICATED THAT THERE WOULD BE CONSIDERABLE FLEXIBILITY IN APPLICABILITY OF PREVIOUS EXCHANGE RATE.

3. DURING RECENT DAYS EMBOFF HAS CONTACTED REPS OF A NUMBER OF LEADING AMERICAN BUSINESSES IN ZAIRE WHO REPORT THEIR CURRENT STATUS AS FOLLOWS:

A. GOODYEAR: CENTRAL BANK HAS RECENTLY MADE AVAILABLE \$500,000. LIKEWISE, GOODYEAR HAS OBTAINED PROMISE OF \$600,000 FROM ITS BANKER, BANQUE COMMERCIALE ZAIREOISE, (PRIVATE BANKS CONTINUE TO HAVE CONSIDERABLE FLEXIBILITY AS TO USAGE FOR FOREIGN EXCHANGE WHICH THEY OBTAIN FROM THEIR NORMAL OPERATIONS). WITH PAYMENT OF \$1.1 MILLION, GOODYEAR ZAIRE WILL ONLY OWE APPROXIMATELY \$400,000 TO ITS SUPPLIERS AND HAS NOT BEEN IN SUCH A GOOD POSITION IN MONTHS. ITS CURRENT CHIEF PROBLEM IS OBTAINING NECESSARY PRICE INCREASES FOLLOWING DEVALUATION. IT IS CONTINUING TO PRODUCE AT NORMAL CAPACITY BUT IS NOT MAKING ANY SALES PENDING PRICE INCREASES.

B. GM: GM HAS NOT MADE ANY DEPOSITS AGAINST LETTERS OF CREDIT, BUT GM PRESENT IS HOPEFUL THAT IT WILL BE ABLE TO USE OLD EXCHANGE RATE FOR APPROXIMATELY HALF OF ITS LIMITED OFFICIAL USE

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OUTSTANDING OBLIGATIONS AS IT HAD A COMPARABLE AMOUNT OF ZAIRES DEPOSITED WITH BANKS AT TIME OF DEVALUATION. AS ALL OF ITS IMPORTS WERE ON INTERCOMPANY ACCOUNT NOT GUARANTEED BY 180-DAY LETTER OF CREDIT, GM WILL NOT BENEFIT FROM FIRST PRIORITY FOR FOREIGN EXCHANGE ALLOCATION MENTIONED ABOVE. HOWEVER, GM HOPES TO RECEIVE FOREIGN EXCHANGE FOR FUTURE OPERATIONS DUE TO CURRENT SHORTAGE OF VEHICLES IN ZAIRE. IT IS CONTINUING VEHICLE ASSEMBLY BUT

NOT MAKING ANY SALES PENDING PRICE INCREASES.

C. ESB: ESB IS CONFIDENT THAT IT WILL BE ABLE TO USE PREVIOUS EXCHANGE RATE FOR ALL ITS OUTSTANDING OBLIGATIONS AT TIME OF DEVALUATION. ITS PRINCIPAL PROBLEM IS SIMPLY OBTAINING FOREIGN EXCHANGE.

D. IBM: IBM IS PERHAPS UNIQUE IN ZAIRE IN THAT IT HAS OBTAINED PERMISSION FROM GOZ FOR MOST OF ITS CUSTOMERS TO MAKE PAYMENT IN DOLLARS RATHER THAN ZAIRES. THEREFORE IBM'S PROBLEM IS THAT A NUMBER OF ITS MAJOR CUSTOMERS, PRIMARILY GOVERNMENT AGENCIES, ARE SERIOUSLY DELINQUENT IN THEIR PAYMENTS. FOR EXAMPLE, THE OFFICE OF THE PRESIDENCY HAS NOT MADE A PAYMENT IN MORE THAN A YEAR. GECAMINES IS IBM'S ONLY MAJOR CUSTOMER IN ZAIRE WHICH PAYS ITS BILLS FAIRLY PROMPTLY.

E. PAN AM: AS MENTIONED IN KINSHASA 3216, AMBASSADOR DISCUSSED PAN AM'S PROBLEMS WITH CENTRAL BANK GOVERNOR SAMBWA. PAN AM'S PROBLEMS ARE OF TWO TYPES. THE FIRST CONCERNS OBTAINING FOREIGN EXCHANGE FOR TRANSMITTING PROCEEDS OF TICKET SALES IN ZAIRE. OUTSTANDING ZAIRES FROM TICKET SALES AWAITING TRANSFER NOW TOTAL EQUIVALENT OF \$1.2 MILLION. THIS PROBLEM IS COMMON TO ALL AIRLINES DOING BUSINESS IN ZAIRE. PAN AM'S SECOND AND GREATER PROBLEM IS TRANSFER OF FUNDS FROM ITS TECHNICAL SERVICES CONTRACT WITH AIR ZAIRE. SUMS DUE UNDER THIS CONTRACT NOW TOTAL APPROXIMATELY \$3.5 MILLION AND ARE ACCUMULATING AT THE RATE OF MORE THAN \$200,000 MONTHLY. AS MENTIONED IN REFTEL GOVERNOR SAMBWA HAS EXPRESSED HIS APPRECIATION OF THE SERIOUSNESS OF THE PROBLEM AND PROMISED TO DISCUSS MATTER WITH PAN AM REP.

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